

FOR OFFICIAL USE ONLY

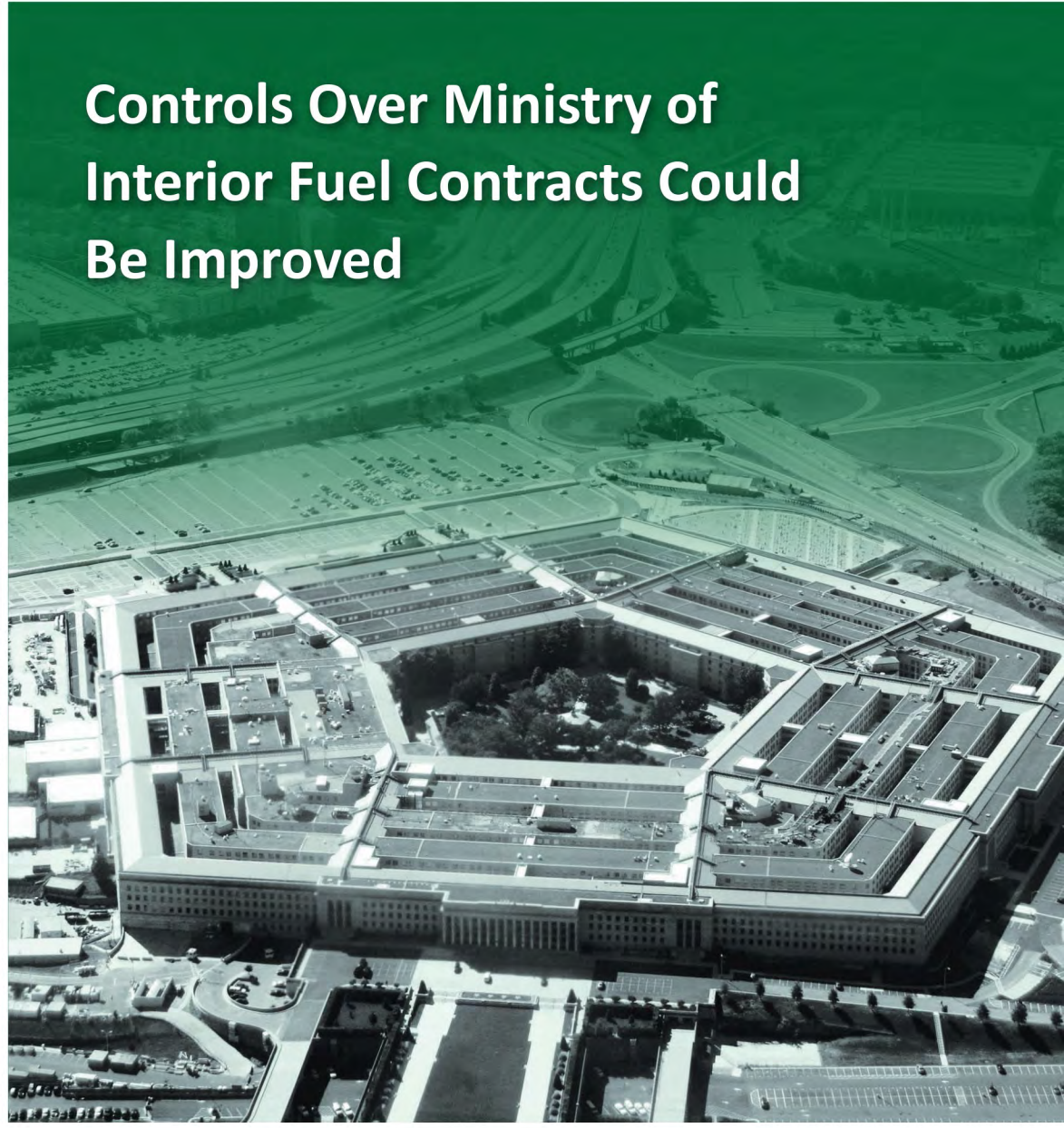
INSPECTOR GENERAL

U.S. Department of Defense

JANUARY 20, 2016



Controls Over Ministry of Interior Fuel Contracts Could Be Improved



INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

The document contains information that may be exempt from
mandatory disclosure under the Freedom of Information Act.

FOR OFFICIAL USE ONLY

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

Mission

Our mission is to provide independent, relevant, and timely oversight of the Department of Defense that supports the warfighter; promotes accountability, integrity, and efficiency; advises the Secretary of Defense and Congress; and informs the public.

Vision

Our vision is to be a model oversight organization in the Federal Government by leading change, speaking truth, and promoting excellence—a diverse organization, working together as one professional team, recognized as leaders in our field.



For more information about whistleblower protection, please see the inside back cover.



Results in Brief

Controls Over Ministry of Interior Fuel Contracts Could Be Improved

January 20, 2016

Objective

Our objective was to determine whether the Combined Security Transition Command–Afghanistan (CSTC–A) and the Afghanistan Ministry of Interior (MoI) have established effective controls for oversight of MoI fuel contracts.

Finding

CSTC–A and MoI oversight of the MoI fuel contracts was not effective. Although some CSTC–A officials performed limited oversight of MoI fuel activities, those officials did not coordinate their efforts. In addition, MoI did not consistently provide fuel consumption data to the Afghanistan National Police (ANP), and CSTC–A did not determine which ANP units were not reporting consumption data as required by the Fiscal Year 1394 Commitment Letter. This occurred because:

- CSTC–A’s organizational structure does not have well-defined roles and responsibilities for contract oversight.
- CSTC–A did not enforce the fuel reporting requirements within the commitment letter or hold MoI accountable when MoI did not institute controls over the contract management process.

As a result of the lack of contract oversight and insufficient reporting data, CSTC–A did not have reasonable assurance that the fuel

Finding (cont’d)

ordered and delivered to the ANP on the three MoI contracts, valued at \$437.6 million, supported actual ANP requirements and was used for its intended purpose.

Recommendations

We recommend that the Commander, CSTC–A, in conjunction with the Commander, United States Forces–Afghanistan:

- Issue guidance that establishes specific oversight responsibilities for the Afghan MoI fuel contracts for each essential function; and identify:
 - a CSTC–A or United States Forces–Afghanistan official to determine the adequacy of ANP fuel consumption data;
 - a CSTC–A official to impose the consequences outlined in the commitment letter agreements when MoI does not fulfil its requirements.
- Develop reliable methods to determine whether the reported MoI fuel consumption data had been accurately documented so that there is reasonable assurance that future contract fuel allocation rates are fair and meet Afghan requirements.
- Include in the Fiscal Year 1395 Commitment Letter improved reporting requirements designed to specify adequate documentation of the Afghan MoI fuel consumption and provide clearer consequences for MoI’s noncompliance that CSTC–A would be willing to impose.

Management Comments and Our Response

The Deputy Chief of Staff Security Assistance, responding for the Commander CSTC–A, addressed all specifics of Recommendations 1.a and 1.c and partially addressed 1.b. We request that the Deputy Chief of Staff provide additional comments on Recommendation 1.b. See the Recommendations Table on the next page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Commander, Combined Security Transition Command–Afghanistan, in conjunction with, the Commander, U.S. Forces–Afghanistan	1.b	1.a and 1.c

Please provide Management Comments by February 19, 2016.



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**

January 20, 2016

MEMORANDUM FOR COMMANDER, U.S. FORCES–AFGHANISTAN
COMMANDER, COMBINED SECURITY TRANSITION
COMMAND–AFGHANISTAN

SUBJECT: Controls Over Ministry of Interior Fuel Contracts Could be Improved
(Report No. DODIG-2016-040)

We are providing this report for your review and comment. This project relates to the overseas contingency operation, Operation Freedom's Sentinel, and will be completed in accordance with the OIG's oversight responsibilities, as described in Section 8L of the Inspector General Act of 1978, as amended.

The Combined Security Transition Command–Afghanistan and Ministry of Interior oversight of the Ministry of Interior fuel contracts were not effective. Some Combined Security Transition Command–Afghanistan organizations performed limited oversight of Ministry of Interior fuel activities but did not coordinate their efforts and the Ministry of Interior did not consistently provide Afghan National Police fuel consumption data, and the Combined Security Transition Command–Afghanistan did not determine which ANP units were not reporting consumption data as required by the FY 1394 Commitment Letter. Consequently, Combined Security Transition Command–Afghanistan did not have reasonable assurance that the fuel ordered and delivered on the three Ministry of Interior contracts, valued at \$437.6 million, supported actual Afghan National Police requirements and was used for its intended purpose.

We considered management comments on a draft of this report when preparing the final report. DoD Instruction 7650.03 requires that recommendations be resolved promptly. Comments from the Commander, Combined Security Transition Command–Afghanistan were responsive to Recommendations 1.a and 1.c. However, we request additional comments from the Commander, Combined Security Transition Command–Afghanistan for Recommendation 1.b by February 19, 2016.

Please provide comments that conform to the requirements of DoD Instruction 7650.03. Please send a PDF file containing your comments to cmp@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9187 (DSN 664-9187).

A handwritten signature in black ink, reading "Michael J. Roark".

Michael J. Roark
Assistant Inspector General
Contract Management and Payments

Contents

Introduction

Objective	1
Background	1
Review of Internal Controls	5

Finding. CSTC–A and GIRoA Oversight Controls for the Afghanistan MoI Fuel Contracts Were Not Effective

CSTC–A Performs Limited Oversight of Afghanistan MoI Fuel Contracts	7
CSTC–A Needs to Enforce Consequences for MoI’s Inability to Provide Consumption Data	9
CSTC–A Did Not Have Assurance that Fuel Deliveries Supported Actual MoI Requirements	12
Recommendations, Management Comments, and Our Response	12

Appendix

Scope and Methodology	15
Use of Computer-Processed Data	15
Use of Technical Assistance	15
Prior Coverage	15

Management Comments

Combined Security Transition Command–Afghanistan Comments	17
---	----

Acronyms and Abbreviations

Introduction

Objective

Our objective was to determine whether the Combined Security Transition Command–Afghanistan (CSTC–A) and the Afghanistan Ministry of Interior (MoI) have established effective controls for oversight of MoI fuel contracts.

This project relates to the Overseas Contingency Operation, Operation Freedom’s Sentinel, and was completed in accordance with the OIG’s oversight responsibilities, as described in Section 8L of the Inspector General Act of 1978, as amended. We announced this audit as one in a series of audits related to Afghanistan contract oversight. This audit focused on CSTC–A’s oversight of MoI fuel contracts awarded with funds provided by United States direct assistance. See the Appendix for the scope and methodology and prior coverage related to the objective.

Background

In a February 2011 policy memorandum,¹ the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, authorized CSTC–A to provide Afghanistan Security Forces Fund (ASFF) resources to sustain the Afghan National Security Forces (ANSF), which includes the Afghan National Police (ANP), directly to the Afghanistan ministries. The goal of this support was to develop ministerial capability and capacity in the areas of budget development and execution, payment of salaries, acquisition planning, and procurement.

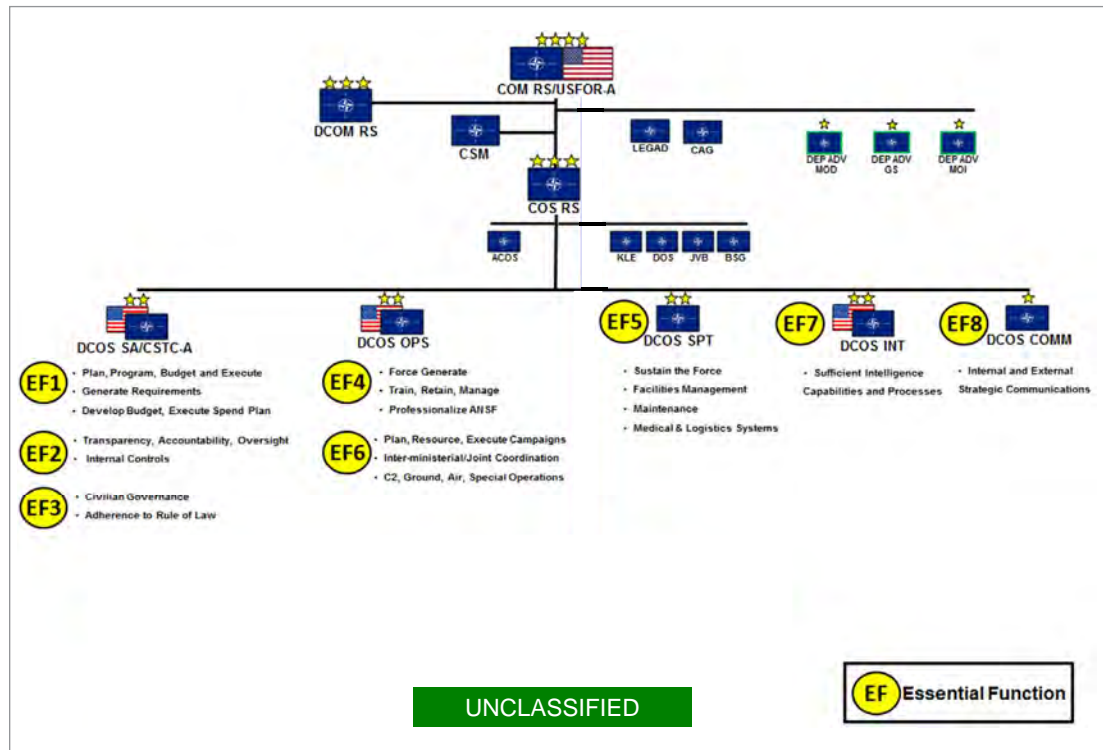
Resolute Support

On December 31, 2014, the International Security Assistance Force combat mission ended, and on January 1, 2015, the Resolute Support (RS) mission to train, advise, and assist the Government of the Islamic Republic of Afghanistan (GIROA) at the ministerial, institutional, and operational levels began. RS shifted the emphasis from unit-based combat advising to a functionally based advising approach, organized into eight essential functions (EFs).² RS is divided into five subcomponents, which include CSTC–A and the Deputy Chief of Staff for Support. Figure 1 illustrates the RS organizational structure.

¹ Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD, Memorandum, “Interim Guidance on Afghanistan Security Forces Fund Contributions to the Government of the Islamic Republic of Afghanistan,” February 4, 2011.

² Resolute Support includes eight key areas, called essential functions, which provide the framework and guidelines to achieve Afghan sustainability. Essential Functions are both a functional topic and an organization. (See Figure 1 in the Background for more information on essential functions.)

Figure 1. RS Organizational Structure*



* The Commander, Resolute Support, is dual-hatted as Commander, United States Forces–Afghanistan. The organization that supports the Commander, Resolute Support, is also known as Resolute Support. Source: CSTC–A

Combined Security Transition Command–Afghanistan

CSTC–A directs U.S. efforts to organize, train, and equip ANSF. CSTC–A also provides oversight and ensures adequate fiscal controls are in place to safeguard appropriated ASFF direct contributions provided to the Afghanistan ministries. EF-1 and EF-2 report to CSTC–A and have roles and responsibilities related to MoI fuel contract oversight.³

EF-1 is responsible for generating requirements, developing a resource-informed budget, and executing a spend plan. Within EF-1, Financial Management Oversight (FMO) provides financial oversight of ASFF direct contributions to MoI. FMO also monitors and executes disbursements in accordance with GIRoA-submitted spend plans. FMO reports funds execution using the Afghanistan Financial Management Information System (AFMIS). AFMIS is the official data repository used for financial data reconciliation and also the official accounting system used by FMO to track Afghanistan expenditures charged against CSTC–A funds. FMO also uses AFMIS to identify weaknesses and violations of funds execution.

³ The roles and responsibilities for CSTC–A and the EFs are according to the Resolute Support Security Force Assistance Guide, the commitment letters, and testimony from CSTC–A and RS officials.

EF-2 is responsible for working with ANSF to ensure transparency, accountability, and oversight in ANSF's financial and nonfinancial processes. EF-2 advises MoI on ways to improve their oversight of MoI programs including the procurement and distribution of fuel to the ANP. EF-2 officials stated they continue to train the MoI Inspector General in the development of a Management Internal Control Program to improve MoI's controls.

Deputy Chief of Staff for Support

EF-5 is responsible for advising, training, and assisting Afghanistan's MoI and Ministry of Defense in building logistical and maintenance capacity and capability. EF-5's goal is to help develop self-sustainable Afghan security institutions capable of providing effective logistics, medical, and information communication and technology support, which sustains required ANSF operational capability at all levels. EF-5 is also working with MoI to update the fuel policies and procedures.

Bilateral Financial Commitment Letters

CSTC-A and GIRoA signed annual agreements called Bilateral Financial Commitment Letters (commitment letters) that commit CSTC-A to fund specified portions of the MoI budget. These commitment letters do not bind CSTC-A and GIRoA, but serve as bilateral agreements intended to assist GIRoA in implementing the necessary management and controls to enhance the transparency and accountability of United States direct assistance. In addition, the commitment letters establish the responsibilities for all parties that sign the commitment letters. We focused on performance requirements as agreed upon in the Fiscal Year⁴ (FY) 1394 Commitment Letter (the commitment letter).

Afghanistan Ministry of Interior

The Afghanistan MoI is responsible for managing the ANP, as well as developing, validating, and justifying requirements for MoI's annual budget, to include the use of ASFF direct contributions. ASFF funds provide assistance to the security forces of Afghanistan, and may be used for the provision of equipment, supplies, services, training, facility and infrastructure repair, renovation, and construction. MoI must also design and implement internal controls to ensure they use ASFF direct contributions as intended. In addition, MoI is required to build the capacity and capability to manage the commitment, obligation, and expenditure of ASFF direct contributions, to include the development and maintenance of supporting documentation.

⁴ GIRoA fiscal year 1394 begins on December 21, 2014, and ends December 20, 2015.

Funding for MoI Fuel Contracts

DoD uses ASFF to support the MoI procurement of fuel using the MoI fuel contract. Congress has appropriated almost \$50 billion to ASFF to train, equip, and sustain ANSF since 2005. As part of the transition of U.S. forces out of Afghanistan, CSTC-A, in coordination with GIRoA, is seeking to help develop the ANP's logistics capability to enable the ANP to assume responsibility for national logistics and maintenance requirements, including the management of the MoI fuel contract. MoI, with CSTC-A assistance, awarded fuel contracts to provide fuel to ANP units throughout Afghanistan; however, CSTC-A funds the contracts using ASFF.

When awarding the fuel contracts, GIRoA divided Afghanistan into seven different areas, referred to as "lots," and awarded three separate fuel contracts⁵ to service the seven lots. Table 1 provides the awarded amounts for each contract.

Table 1. MoI Fuel Contracts

Contract Number	Contractor	Lots	Contract Ceiling (\$ in Millions)
MOI/1672/ICB/1	JV-Aria Target Petroleum Ltd & CEFE Group	1, 3, 4, 7	\$239.3
MOI/1672/ICB/2	Ghazanfar Neft Gas LTD	2	\$78.1
MOI/1672/ICB/3	JV-Arrow General Supplies Co & Parwan	5 & 6	\$120.2
Total			\$437.6*

* According to a CSTC-A official, \$259.8 million was expended on fuel during FYs 1393 and 1394.

The Commitment Letter Establishes Oversight Responsibilities for Fuel Contracts

According to the commitment letter, CSTC-A considers the MoI fuel contracts to be a high risk due to past corruption with the purchase and delivery of fuel. The commitment letter states that CSTC-A and MoI will continue to ensure fuel purchased by MoI with United States direct assistance is not diverted by corrupt officials for sale and personal profit. MoI must demonstrate the direct contribution ASFF funds are used as programmed and funded.

The commitment letter establishes requirements for documentation that MoI must provide and the reviews that CSTC-A should perform to provide sufficient oversight of the fuel contracts. Specifically, the commitment letter requires MoI to submit fuel consumption data to CSTC-A in support of the fuel ordered on the contract. The commitment letter also requires CSTC-A to review the documentation for sufficiency, and to make a determination whether ANP units are "good performers" or "bad performers" based on the consumption data.

⁵ The contracts were awarded on March 31, 2014, and the period of performance was for two years.

Review of Internal Controls

DoD Instruction 5010.40⁶ requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses in CSTC-A and MoI contract oversight controls for the MoI fuel contracts funded with United States direct assistance. Specifically, MoI did not provide fuel consumption data and CSTC-A did not impose consequences for the lack of documentation in accordance with the commitment letter. We will provide a copy of the report to the senior officials responsible for internal controls at CSTC-A.

⁶ DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

Finding

CSTC–A and GIRoA Oversight Controls for the Afghanistan MoI Fuel Contracts Were Not Effective

CSTC–A and RS officials did not provide effective oversight of the MoI fuel contracts in accordance with the commitment letter. Specifically, CSTC–A and RS officials performed limited oversight by reviewing documentation provided by MoI. This limited oversight occurred primarily because force protection concerns limited CSTC–A and RS officials' ability to perform site visits.

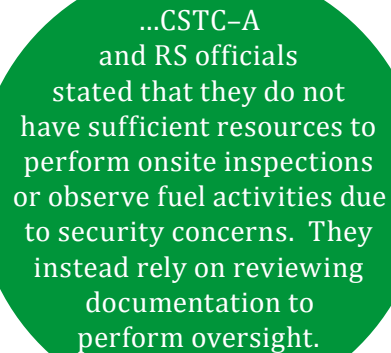
In addition, duties for overseeing the MoI fuel contracts were fragmented among several EFs, without a designated lead to coordinate the oversight activities. This occurred because CSTC–A and RS officials focused on developing ANSF in general but did not have a strategy for providing oversight of critical GIRoA contracts resourced with United States direct funding. Therefore, decisions on whether to withhold reimbursement of MoI for failure to comply with commitment letter requirements for fuel were not made.

Finally, MoI did not consistently provide ANP fuel consumption data, and CSTC–A did not determine which ANP units were not reporting consumption data as required by the commitment letter. This occurred because CSTC–A was not enforcing the commitment letter requirements or holding MoI accountable when MoI did not institute controls over the contract management process. However, EF-5 continues to work with MoI to improve its reporting of fuel consumption and future requirements.

As a result, CSTC–A did not have reasonable assurance that the fuel ordered and delivered on the three MoI contracts, valued at \$437.6 million, supported actual ANP requirements and was used for its intended purpose.

CSTC–A Performs Limited Oversight of Afghanistan MoI Fuel Contracts

CSTC–A does not have effective contract oversight controls for the Afghanistan MoI fuel contracts. Specifically, CSTC–A and RS officials stated that they do not have sufficient resources to perform onsite inspections or observe fuel activities due to security concerns. They instead rely on reviewing documentation to perform oversight. Although various EFs performed limited reviews within their focus areas, there were no coordinated internal contract oversight activities between the EFs.



...CSTC–A and RS officials stated that they do not have sufficient resources to perform onsite inspections or observe fuel activities due to security concerns. They instead rely on reviewing documentation to perform oversight.

Essential Functions Perform Limited Fuel Contract Oversight Within Their Focus Areas

The EFs performed various oversight activities of the Afghan MoI Fuel contracts within their focus areas. EF-5 officials stated they reconcile delivery documents provided by vendors with orders provided by MoI to determine if deliveries occurred and were based on valid orders. In addition, EF-1/FMO officials review category object codes on fuel order contracts to validate charges included in the fuel code through AFMIS as required by the commitment letter.

(FOUO) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Essential Function 5 Review of Fuel Orders and Deliveries

EF-5 officials stated they use MoI fuel order reports to consolidate the amount of fuel ordered by ANP units with the amount fuel delivered as shown on vendor invoices. EF-5 has developed a spreadsheet that compares orders placed versus fuel deliveries. EF-5 performs this comparison to ensure the vendors are delivering the amount of fuel ordered and to compare actual fuel ordered by MoI to planned fuel distributions. EF-5 officials stated that MoI officials are also working with the ANP to improve consumption data reporting. Specifically, MoI is trying to develop a spreadsheet to assist in the collection and analysis of consumption data.

Essential Function 1 and Financial Management Oversight to Validate Charges Through AFMIS

EF-1 officials review AFMIS for category object codes on fuel order contracts to validate charges in the fuel code. However, they only have visibility of object codes within AFMIS and cannot see errors that occur outside of AFMIS. For example, the EF-1 officials can ensure that MoI charged fuel for motorized vehicles to the correct line item. But if MoI did not make charges against the fuel object code, EF-1 officials would not be able to detect the error using AFMIS.

Essential Functions Did Not Effectively Coordinate Oversight of MoI Fuel Contracts



According to EF officials, there is a lack of coordination among the EFs conducting internal contract oversight activities.

According to EF officials, there is a lack of coordination among the EFs conducting internal contract oversight activities. CSTC-A and RS are structured to improve GIRoA's independent performance through training, advice, and assistance to MoI. However, the organizations did not have well-defined roles and responsibilities for contract oversight. Specifically, in CSTC-A or RS, no person was named as the lead to coordinate contract oversight efforts or determine whether reimbursements should be reduced for MoI's failure to comply with commitment letter requirements. None of the EFs have the oversight of contracts as their primary mission, and therefore each performed limited oversight within their respective focus areas.

RS has established methods for the different EFs to meet and discuss ongoing challenges. According to the RS Security Force Assistance (SFA) Guide, the SFA Working Group coordinates SFA activities and other matters. CSTC-A officials stated that the SFA Working Group coordinates SFA activities and other matters at the working level from strategic to tactical across all EFs. CSTC-A officials stated that during these weekly meetings, the working group discusses the topics the RS leaders categorize as priorities. However, according to CSTC-A officials, the fuel contracts were not considered a top priority during these meetings. CSTC-A, in conjunction with United States Forces-Afghanistan (USFOR-A), should issue internal guidance that establishes specific oversight responsibilities for the Afghan Ministry of Interior fuel contracts for each essential function and identifies who will determine which ANP units are submitting sufficient fuel consumption data and who will make decisions to impose the consequences outlined in the commitment letter agreements.

CSTC–A Needs to Enforce Consequences for MoI’s Inability to Provide Consumption Data

MoI has not consistently provided fuel consumption data, and CSTC–A has not determined which ANP units were not reporting consumption data⁷ as required by the commitment letter. CSTC–A did not enforce the requirements within the commitment letters or hold MoI accountable when they did not institute controls over the contract management process.

MoI has not consistently provided fuel consumption data, and CSTC–A has not determined which ANP units were not reporting consumption data as required by the commitment letter.

Commitment Letter Establishes Reporting Requirements and Consequences

The intent of the commitment letter is to develop ministerial capability and capacity in the areas of budget development and execution, acquisition planning, and procurement. According to the commitment letter, CSTC–A is required to conduct fuel meetings at least every 2 weeks with MoI, contracted vendors, and RS representatives. During the biweekly fuel meetings, RS representatives should be responsible for determining whether all fuel documentation received from the provinces was sufficient and the fuel orders were based upon documented fuel consumed. When either MoI or RS representatives determine there is insufficient documentation from the provinces, the next month’s fuel allocation rate for the province should be determined to be the Bad Performer Allocation Rate. The Bad Performer Allocation Rate is 75 percent of the Good Performer Allocation Rate for that month’s fuel allocation.

MoI Does Not Consistently Provide Fuel Consumption Data

According to EF-5 officials, MoI only provided consumption data when specifically requested, and, even when the data were provided, they were not always in an accessible format.

MoI has not consistently provided the required fuel consumption data. According to EF-5 officials, MoI only provided consumption data when specifically requested, and, even when the data were provided, they were not always in an accessible format.⁸ EF-5 officials stated that the commitment letter requirement to provide data biweekly was unrealistic since fuel was not delivered often and most regions used a paper-based system to complete consumption data reports that were hand-delivered.

⁷ The commitment letter used the terms “Good Performer/Bad Performer,” to refer to ANP units that consistently reported or did not report fuel consumption data.

⁸ EF-5 officials stated the consumption data provided by MoI were either on a corrupted CD or in an unreadable format.

EF-5 officials also stated they have to make several requests before receiving fuel consumption data, and on multiple occasions, the electronic data provided by MoI were either corrupted, in an unreadable format, or the paper-based consumption data reports were “too perfect.” Specifically, RS officials stated the paper-based consumption data reports were too precise and exactly at the 24-month fuel allocation amount established in the contract. Therefore, EF-5 officials doubted the accuracy and legitimacy of the reports because they felt they were doctored, fraudulent, and inaccurate. We referred this information to the Defense Criminal Investigative Service, who is evaluating it for a potential criminal investigation. CSTC-A, in conjunction with, USFOR-A, should develop reliable methods to determine whether the reported MoI fuel consumption data have been accurately documented so that there is reasonable assurance that future contract fuel allocation rates are fair and meet Afghan requirements.

CSTC-A Did Not Designate Good and Bad Performers



CSTC-A did not enforce the requirements within the commitment letters or hold MoI accountable for its lack of oversight and controls over the contract management process.

CSTC-A did not enforce the requirements within the commitment letters or hold MoI accountable for its lack of oversight and controls over the contract management process. Although MoI provided consumption data only when specifically requested instead of routinely at the biweekly fuel meetings, and the data were often submitted in a nonaccessible format, CSTC-A did not hold MoI accountable per the terms of the commitment letter and withhold fuel at the Bad Performer Rate (reduce the monthly fuel allocation by 25 percent). CSTC-A and

RS officials stated the command did not cut the allocation rates due to the unstable environment within Afghanistan. In addition, RS officials stated that due to their roles and responsibilities to train, advise, and assist MoI on fuel logistics, they were not able to develop a trusting relationship and then enforce the Good Performer/Bad Performer Allocation Rates as detailed in the commitment letter. Consequently, if RS is responsible for showing MoI how to perform fuel logistics oversight, MoI may be less forthcoming with RS when there is an issue. CSTC-A, in conjunction with USFOR-A, should ensure that future commitment letters contain requirements that will help MoI improve the documentation of fuel requirements. The commitment letters should also contain clearer consequences for failure MoI noncompliance that CSTC-A and RS would be willing to impose.

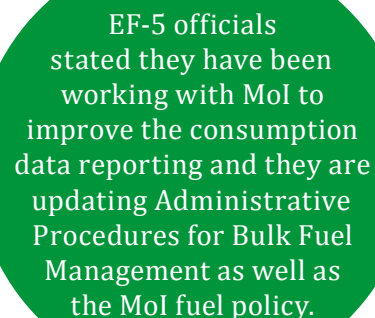
CSTC–A Has Historically Not Held GIRoA to Commitment Letter Provisions

Two prior DoD OIG audit reports found that CSTC–A was not holding GIRoA accountable for failure to comply with requirements in the commitment letters. In DoD OIG Report No. DODIG-2015-082, we found that CSTC–A did not enforce commitment letter requirements that GIRoA contracts must be awarded and payments made through AFMIS. In addition, the commitment letters required that GIRoA maintain auditable records. Despite GIRoA's failure to meet these requirements, CSTC–A did not implement the consequences outlined in the commitment letter. The report did not make recommendations in this area, as CSTC–A officials stated that the command would begin holding GIRoA accountable and enforce the commitment letter requirements.

In DoD OIG Report No. DODIG-2015-107, we found CSTC–A did not enforce the terms of the commitment letters when GIRoA did not demonstrate proper controls were in place to ensure accountability and transparency of vehicles provided by DoD and Coalition countries. This report contained a recommendation to CSTC–A to enforce the consequences in the commitment letter by withholding funding if GIRoA did not follow the requirements outlined in the commitment letters. CSTC–A officials responded stating that the consequences in the commitment letter were strengthened and that CSTC–A could leverage influence through the withholding of funds. We are continuing our series of audits on direct funding to determine whether CSTC–A is holding GIRoA accountable and enforcing the commitment letter requirements, and plan to follow up on open and closed recommendations in a summary report.

Efforts are Underway to Assist MoI with Developing Improvements for the Fuel Management Processes

EF-5 is working with MoI to improve fuel management and reporting processes. EF-5 officials stated they have been working with MoI to improve the consumption data reporting and they are updating Administrative Procedures for Bulk Fuel Management as well as the MoI fuel policy. Specifically, EF-5 and MoI are updating the Administrative Procedures for Bulk Fuel Management, dated November 13, 2012, to represent the coordinated effort between RS, National Training Mission–Afghanistan, CSTC–A, Afghan Reconstruction and Development Service, Ministry of Finance, MoI, and Ministry of Commerce and Industry to prepare the way for



EF-5 officials stated they have been working with MoI to improve the consumption data reporting and they are updating Administrative Procedures for Bulk Fuel Management as well as the MoI fuel policy.

Mol's follow-on bulk fuel procurement for FYs 1395 and 1396. The intention of the updated procedures is to document and inform GIRoA of the processes and standards for ANSF bulk fuel requirements that RS/CSTC-A will fund. The updated procedures require Mol to provide estimated annual fuel requirements to Ministry of Finance and RS, instead of National Training Mission-Afghanistan, as stated in the November 2012 procedures. In addition, Afghanistan's General Directorate for National Procurement will take over the Afghan Reconstruction and Development Service's role of providing quality assurance, compliance with Afghan law and donor requirements, and advising Mol on the procurement process and contract writing.

CSTC-A Did Not Have Assurance that Fuel Deliveries Supported Actual Mol Requirements

As a result of the contract oversight shortfalls and poor data reporting, CSTC-A does not have reasonable assurance the fuel ordered and delivered on the three Mol contracts, valued at \$437.6 million, supports actual ANP requirements and was used for its intended purpose. Mol does not consistently provide CSTC-A with accurate consumption data, so CSTC-A cannot properly validate the actual fuel amount Mol uses and that CSTC-A's funding contributions towards Mol fuel contracts support actual fuel needs. RS and CSTC-A officials were also unable to make site visits to verify the consumption data Mol provides were accurate and supported actual fuel needs. Until CSTC-A and RS are able to effectively determine ANP fuel consumption data reporting is adequate and hold Mol accountable for not meeting the reporting requirements of the commitment letters, Mol's controls over and oversight of fuel contracts may not improve.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Commander, CSTC-A, in conjunction with, the Commander, United States Forces-Afghanistan:

- a. Issue guidance establishing specific oversight responsibilities for the Afghan Ministry of Interior fuel contracts for each essential function and identify:**
 - (1) a Combined Security Transition Command-Afghanistan or Resolute Support official to determine the adequacy of Afghan National Police fuel consumption data; and**

(2) a Combined Security Transition Command–Afghanistan official to impose the consequences outlined in the commitment letter agreements when Ministry of Interior does not fulfil its requirements.

Combined Security Transition Command–Afghanistan Comments

The Deputy Chief of Staff Security Assistance, responding for the Commander, Combined Security Transition Command–Afghanistan, agreed, stating that the Commander, CSTC–A, assigned oversight responsibilities as follows.

- EF-1—Plan, Program Budget, and Execution;
- EF-2—Transparency, Accountability, and Oversight; and
- EF-5—Sustainment.

The Deputy Chief of Staff also stated that the EF-5 Sustainment Director is responsible for determining the adequacy of MoI fuel consumption data and will provide a recommendation to the Commander, CSTC–A in accordance with the FY 1395 Commitment Letter.

Our Response

Comments from the Deputy Chief of Staff addressed all specifics of the recommendation, and no further comments are required.

- b. Develop reliable methods to determine whether the reported Afghan Ministry of Interior fuel consumption data have been accurately documented so that there is reasonable assurance that future contract fuel allocation rates are fair and meet Afghan requirements.**

Combined Security Transition Command–Afghanistan Comments

The Deputy Chief of Staff Security Assistance, responding for the Commander, Combined Security Transition Command–Afghanistan, partially agreed, stating that the only reliable and verifiable method to determine whether MoI consumption data were accurate is for coalition personnel to physically inspect MoI vehicles, generators, and fuel tanks. In addition, to contract out for data collection would be excessively expensive and only provide a “snap shot” of data. However, the Deputy Chief of Staff stated that these physical inspections are not possible because of insufficient numbers of personnel and the unsafe operational environment. The Deputy Chief of Staff concluded that it is reasonable to expect MoI to regularly report fuel consumption and for CSTC–A to leverage MoI resources as much as possible to improve the accuracy of fuel consumption data.

Our Response

The Deputy Chief of Staff's comments partially addressed the specifics of the recommendation. We acknowledge that the lack of force protection personnel limits the ability to perform onsite inspections. However, with the exception of contracting out for the collection of data, the Deputy Chief of Staff did not comment on other data sources that could be used to corroborate the reported fuel consumption data. We request that CSTC-A provide additional comments to this report to clarify whether other data sources could be used to corroborate the reported fuel consumption data.

- c. Include in the Fiscal Year 1395 Commitment Letter improved reporting requirements designed to specify adequate documentation of the Afghan Ministry of Interior fuel consumption and provide clearer consequences for Ministry of Interior's noncompliance that Combined Security Transition Command-Afghanistan would be willing to impose.**

Combined Security Transition Command-Afghanistan Comments

The Deputy Chief of Staff Security Assistance, responding for the Commander, Combined Security Transition Command-Afghanistan, agreed to the recommendation, and attached a copy of the draft FY 1395 Commitment Letter, which outlines MoI reporting responsibilities as well as the consequences for failure to meet those requirements. The commitment letter requires MoI to provide CSTC-A a weekly report summarizing fuel consumption reporting. It also requires MoI to maintain a database that tracks monthly fuel orders, deliveries, consumption data, and budget execution, and to provide these data to CSTC-A at biweekly fuel meetings. Finally, the commitment letter states that CSTC-A may reduce the fuel budget by up to 10 percent if MoI fails to meet any of the conditions set by the commitment letter.

Our Response

Comments from the Deputy Chief of Staff addressed all specifics of the recommendation. No further comments on this recommendation are required.

Appendix

Scope and Methodology

We conducted this performance audit from April 2015 through December 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed the internal controls implemented within the GIRoA MoI for United States direct assistance. We reviewed CSTC-A and MoI criteria to understand the contract management process. Specifically, we reviewed CSTC-A documentation, including standard operating procedures, to determine whether CSTC-A established controls within the MoI contract management process. We conducted site visits to RS Headquarters in Kabul, Afghanistan. We interviewed officials from CSTC-A and RS to discuss CSTC-A and GIRoA controls over the MoI fuel contracts. Specifically, we interviewed personnel from EF-1, EF-2, EF-5, and Combined Joint 8 to determine their roles and responsibilities regarding MoI bulk fuel contracts. We also interviewed CSTC-A and RS officials to identify potential internal control weaknesses for the oversight provided for the continued sustainment of MoI. In addition, we reviewed and analyzed source documents provided to CSTC-A by MoI officials to determine if fuel reporting requirements were met, as stated in the commitment letter.

Use of Computer-Processed Data

We did not use computer-processed data to perform this audit.

Use of Technical Assistance

We did not use technical assistance in conducting this audit.

Prior Coverage

During the last 5 years, the Department of Defense Inspector General (DoD IG) and the Special Inspector General for Afghanistan Reconstruction (SIGAR) issued three reports discussing the oversight of MoI's controls. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>. Unrestricted SIGAR reports can be accessed at www.sigar.mil/audits/reports.html.

DoD IG

DODIG-2015-107, “Challenges Exist for Asset Accountability and Maintenance and sustainment of Vehicles Within the Afghan National Security Forces,” April 17, 2015

DODIG-2015-082, “The Government of Islamic Republic of Afghanistan’s Controls Over the Contract Management Process for U.S. Direct Assistance Need Improvement,” February 26, 2015

SIGAR

SIGAR-15-14-SP, “Direct Assistance: Review of Processes and Controls Used By CSTC-A, State, and USAID,” February 26, 2015

Management Comments

Combined Security Transition Command–Afghanistan Comments



NON SENSITIVE INFORMATION RELEASABLE TO THE PUBLIC
DEPUTY CHIEF OF STAFF SECURITY ASSISTANCE
COMBINED SECURITY TRANSITION COMMAND – AFGHANISTAN
KABUL, AFGHANISTAN
APO AE 09356

DCOS SA/CSTC-A

20 December, 2015

MEMORANDUM THRU

United States Forces – Afghanistan (AUDITS), APO AE 09354
United States Central Command (CCIG), MacDill AFB, FL 33621

FOR: Special Inspector General for Afghanistan Reconstruction, 2530 Crystal Drive, Arlington,
VA 22202-3940

SUBJECT: Response to Department of Defense Inspector General (DoDIG), Recommendations
in “Controls Over Ministry of Interior (MoI) Fuel Contracts Could Be Improved” (Project No.
D2015-D000JB-0174.000)

1. Reference: Department of Defense Inspector General (DoDIG), Report “Controls Over Ministry of Interior (MoI) Fuel Contracts Could Be Improved” (Project No. D2015-D000JB-0174.000) dated 7 December, 2015.
2. The purpose of this memorandum is to provide a response to the recommendations made by the DoDIG in their report “Controls Over Ministry of Interior (MoI) Fuel Contracts Could Be Improved” (Project No. D2015-D000JB-0174.000) dated 7 December, 2015.
3. Combined Security Transition Command-Afghanistan (CSTC-A) appreciates the DoDIG’s efforts to ensure that the MoI fuels management program is responsibly managed, sustained, and that there is proper oversight of U.S. funds. CSTC-A concurs with four of the five DoDIG recommendations as detailed in the enclosed technical response. Our partial concurrence with Recommendation 1b is driven by our very limited and ever decreasing ability to directly inspect the daily fuel operations of the MoI in the field. We will continue to refine our fuel consumption oversight procedures to the maximum extent permitted by our force level, freedom of movement, force protection, and budget constraints. CSTC-A remains committed to working with the DoDIG on key areas such as fuel support oversight in order to continue to build capacities and capabilities through systems and processes helping to strengthen overall our oversight and MoI’s transparency, oversight, and accountability.

NON SENSITIVE INFORMATION RELEASABLE TO THE PUBLIC

Combined Security Transition Command–Afghanistan Comments (cont'd)

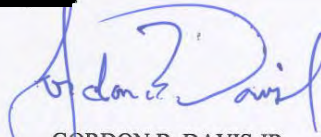
DCOS SA/CSTC-A

**SUBJECT: Response to Department of Defense Inspector General (DoDIG),
Recommendations in “Controls Over Ministry of Interior (MoI) Fuel Contracts Could Be
Improved” (Project No. D2015-D000JB-0174.000)**

4. The point of contact for this action is [REDACTED]

Encl

EF 5 Memo Response to Recommendations



GORDON B. DAVIS JR.
Major General, U.S. Army
Commanding General

Combined Security Transition Command–Afghanistan Comments (cont'd)



DEPUTY CHIEF OF STAFF SECURITY ASSISTANCE COMBINED
SECURITY TRANSITION COMMAND – AFGHANISTAN KABUL,
AFGHANISTAN
APO AE
09356

REPLY TO
ATTENTION
N OF

DCOS SA/CSTC-A
EF5 Sustainment

20 December 2015

MEMORANDUM FOR CSCT-A, External Audit Manager

SUBJECT: Response to Department of Defense Inspector General (DODIG), Results in Brief – “Controls Over Ministry of Interior (MOI) Fuel Contracts Could Be Improved” (Project No. D2015-D000JB-0174.000)

1. PURPOSE: CENTCOM/USFOR-A has requested a technical review of the subject report, specifically addressing the recommendations. The recommendations requiring a response from EF5 are identified and addressed below:
2. DISCUSSION:
 - A. DODIG Recommendation 1a. (1) and (2) states the following “We recommend that the Commander, Combined Security Transition Command–Afghanistan (CSTC–A), in conjunction with, Commander, United States Forces–Afghanistan (USFOR–A):
 - a. Issue guidance establishing specific oversight responsibilities for the Afghan Ministry of Interior fuel contracts for each essential function; and identify:
 - (1) CSTC-A or Resolute Support (RS) official to determine the adequacy of Afghan National Police fuel consumption data; and
 - (2) CSTC-A official to impose the consequences outlined in the commitment letter agreements when Ministry of Interior does not fulfill its requirements.”
 - B. CSTC-A EF5 Response to Recommendation 1.a. (1) and (2) above:
 - a. Concur. CG CSTC-A has assigned oversight responsibility to EF1 Plan, Program, Budget, and Execution; EF2 Transparency, Accountability and Oversight; and EF5 Sustainment. EF1 monitors MOI Afghanistan Financial Management Information System reports, EF2 monitors and Trains, Advises and Assists the MOI Inspector General on conducting fuel inspections and EF5 monitors the fuel contract execution.

Combined Security Transition Command–Afghanistan Comments (cont'd)

CSTC-A EF 5

SUBJECT: Response to Department of Defense Inspector General (DODIG), Results in Brief – “Controls Over Ministry of Interior Fuel Contracts Could Be Improved” (Project No. D2015-D000JB-0174.000)

(1) Concur. The EF5 Sustainment Director is responsible for determining the adequacy of MOI fuel consumption data as it is provided by the MOI. It should be noted that EF5 currently has limited ability to validate the efficacy of the MOI fuel consumption data. This is also true for EF2, due to the limited force protection resources that exist in theater to conduct site inspections at the many dispersed ANP locations throughout the country.

(2) Concur. EF5 Sustainment Director will provide a recommendation to the Commander CSTC-A, when warranted, in accordance with 1395 Commitment Letter based on the EF5 analysis of the accuracy of the MOI fuel consumption data reported by MOI or when MOI fails to report. Recommendations will take into consideration the impact to the Afghan warfighter and the operational environment.

C. DODIG Recommendation 1.b states the following “We recommend that the Commander, CSTC-A, in conjunction with, Commander, USFOR-A:

a. Develop reliable methods to determine whether the reported Afghan Ministry of Interior fuel consumption data has been accurately documented so that there is reasonable assurance that future contract fuel allocation rates are fair and meet Afghan requirements.

D. CSCT-A EF5 Response to Recommendation 1.b.: Partially Concur. The only reliable and verifiable method of determining the accuracy of MOI consumption data is for Coalition personnel to physically inspect MOI vehicles, generators, and fuel tanks. Cross walked with all documented “named operations”, assuming they are all documented, and validating their daily normal operations. Force protection personnel and advisors within programmed force constraints are not available in sufficient numbers, nor does the operational environment allow the necessary freedom of movement to institute the required reliable methods to determine the accuracy of the MOI fuel consumption data being reported. Contracting this requirement out would be excessively expensive and only provide a “snap shot” of data. Currently operational environment, limitations of freedom of movement, coupled with the number of ANP sites that are dispersed throughout the country makes this recommendation extremely difficult and expensive to implement and may not be a reasonable expectation or the best use of the current limited resources. It is reasonable though, through CSTC-A TAA efforts, to expect MOI to regularly report fuel consumption and to leverage MOI resources as best CSTC-A can to provide a means to improve accuracy of MOI fuel consumption data.

a. EF5 and EF2 in coordination with MOI will develop a formalized monthly fuel consumption summary report. The report will indicate if police units have provided their monthly consumption reports to MOI HQ, and the unit’s total fuel receipts and consumption data. CSTC-A Auditors and MOI inspection teams will periodically request more detailed documentation from a sampling of units to ensure supporting documentation is being received and tracked by MOI HQ

Combined Security Transition Command–Afghanistan Comments (cont'd)

CSTC-A EF 5

SUBJECT: Response to Department of Defense Inspector General (DODIG), Results in Brief – “Controls Over Ministry of Interior Fuel Contracts Could Be Improved” (Project No. D2015-D000JB-0174.000)

E. DODIG Recommendation 1c states the following “We recommend that the Commander, CSTC–A, in conjunction with, Commander, USFOR–A:

a. Include in the Fiscal Year 1395 Commitment Letter improved reporting requirements designed to specify adequate documentation of the Afghan Ministry of Interior fuel consumption and provide clearer consequences for Ministry of Interior’s noncompliance that Combined Security Transition Command–Afghanistan would be willing to impose.”

F. CSCT-A EF5 Response to Recommendation 1.c.: Concur. The draft Commitment Letter is attached, and is expected to be signed by the start of the SY1395. As indicated above, in CSTC-A response to 1.b, CSTC-A lacks sufficient personnel and staff, and the freedom of movement to preform on-site fuel audits and inspections across the MOI.

G. Clarification: The draft report indicates in Table 1, that the total “value” of the contracts are \$437.6 million; that figure represents the contract’s ceiling. The actual ASFF funding for bulk fuel for FY1393 and 1394 was \$259,763,233. Also, note 5 states the contract period of performance is from December 21, 2013 through December 20, 2015. The actual period of performance is from March 21, 2014 through March 19, 2016.

3. POINT OF CONTACT:

Steven E.
Foster

Digitally signed by

Kenneth D. Watson, SES2 (OF-7)
Executive Director for Sustainment & EF-5 Lead
DCOS-SA/Combined Security Transition
Command – Afghanistan, Headquarter Resolute
Support

Attachment:

MOI Draft 1395 Commitment Letter English/Dari v5 6 December 2015

Acronyms and Abbreviations

AFMIS	Afghanistan Financial Management Information System
ANP	Afghan National Police
ANSF	Afghanistan National Security Forces
ASFF	Afghanistan Security Forces Fund
CSTC-A	Combined Security Transition Command-Afghanistan
EF	Essential Function
FMO	Financial Management Oversight
FY	Fiscal Year
GIRoA	Government of the Islamic Republic of Afghanistan
Mol	Ministry of Interior
RS	Resolute Support
SFA	Security Force Assistance

Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

The Whistleblower Protection Enhancement Act of 2012 requires the Inspector General to designate a Whistleblower Protection Ombudsman to educate agency employees about prohibitions on retaliation, and rights and remedies against retaliation for protected disclosures. The designated ombudsman is the DoD Hotline Director. For more information on your rights and remedies against retaliation, visit www.dodig.mil/programs/whistleblower.

For more information about DoD IG reports or activities, please contact us:

Congressional Liaison

congressional@dodig.mil; 703.604.8324

Media Contact

public.affairs@dodig.mil; 703.604.8324

For Report Notifications

http://www.dodig.mil/pubs/email_update.cfm

Twitter

twitter.com/DoD_IG

DoD Hotline

dodig.mil/hotline

~~FOR OFFICIAL USE ONLY~~



DEPARTMENT OF DEFENSE | INSPECTOR GENERAL

4800 Mark Center Drive
Alexandria, VA 22350-1500
www.dodig.mil
Defense Hotline 1.800.424.9098

~~FOR OFFICIAL USE ONLY~~